

Legal & General UK Equity Income Fund
Interim Manager's Report
for the period ended
24 July 2017
(Unaudited)

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Manager's Investment Report

Investment Objective and Policy

The Fund aims to provide an income in excess of the FTSE All-Share Index yield and to provide capital growth over the long term.

The Manager will seek to achieve the investment objective by investing predominantly in the securities of companies domiciled in the UK or in companies which have a significant part of their activities in the UK but which are domiciled or quoted on a regulated market outside the UK. The Fund may also invest in other non-UK domiciled securities which are traded in the UK. The Fund may use depositary receipts and derivatives both for efficient portfolio management and investment purposes.

The Fund may also invest in other transferable securities, permitted deposits, money market instruments, cash, near cash and units in collective investment schemes.

Manager's Investment Report

During the period under review, the bid price of the Fund's R-Class accumulation units rose by 6.47%. This compares to a rise in the FTSE All-Share Index of 6.37% on a total return basis (Source: Bloomberg).

Past performance is not a guide to future performance.

The value of investments and any income from them may go down as well as up.

Exchange rate changes may cause the value of any overseas investments to rise or fall.

Market/Economic Review

Equity markets have made significant gains over the last six months, reflecting a steady improvement in global economic indicators and growing optimism amongst investors for prospects in 2017. Since the turn of the calendar year however, there has been a cooling of the so-called 'reflation trade' that dominated markets in the latter half of 2016, when commodity-related sectors and financials performed relatively well. Instead, investors have favoured more defensive sectors such as consumer staples and healthcare as central banks signalled the prolonged era of ultra-loose monetary policy was coming to an end. In contrast, sectors closely correlated with bonds struggled, such as utilities and telecommunications. Energy stocks have also underperformed as OPEC's move to introduce production quotas has failed to restore equilibrium in global oil markets, with a notable increase in North American shale inventories. The UK equity market ended the second quarter on the back foot, as an inconclusive outcome to the general election added to the already uncertain outlook for consumer spending and business investment in the UK, with Brexit negotiations now under way.

Returns from international markets for UK-based investors were diluted by currency movements, as the Sterling regained some of the ground lost over the latter half of 2016 in the aftermath of the EU referendum. The strongest areas in Sterling terms were Continental Europe and the Asia Pacific markets excluding Japan. Corporate results in Europe have highlighted improving earnings momentum with expectations for 2017 being revised higher, while indicators suggest regional economic activity is regaining momentum. In the French presidential election, centrist candidate Emmanuel Macron won the second round by a convincing majority, reinforcing the prevailing mood of optimism amongst investors. The smaller Asia Pacific markets have been supported by earnings revisions, underpinned by economic growth and firmer prices for manufactured goods.

Manager's Investment Report continued

Fund Review

Over the review period, the Fund delivered a positive return, broadly in line with its comparative Index.

In the first quarter of 2017, our overweight allocation to consumer goods was beneficial for relative performance; however, this was offset by our active underweight exposure to industrials and overweight position in telecommunications. Stock selection was key to the relative outperformance, led by holdings in financials and consumer services. At an individual stock level, house-builder Taylor Wimpey, Imperial Brands, Inchcape and WPP all gained ground over the review period.

The second quarter of 2017 saw solid gains for the Fund, outpacing those of the benchmark Index, but unfortunately some those gains were given back in the final month of the review period. The Fund's holding in British American Tobacco proved detrimental as the stock sold off in response to a proposal from the US Food and Drug Administration to limit the level of nicotine in cigarettes. However, we have conviction in the stock given the company's strong core business and robust pipeline of tobacco-related products including e-cigarettes.

In terms of trading activity, we added to our existing position in clothing retailer Next and added a new position in advertising and public relations business WPP to the portfolio.

Outlook

Although Macron's election win in France seems to have calmed nerves of a populist rising in Europe, the structural growth and inflation headwinds in Europe are not dead. In Asia, we are still worried about Chinese debt levels and likely slowing economic growth, even if carefully managed by the government. However, the global economic cycle remains supportive of risk assets and we do not see any immediate risk of a recession.

In the UK market, we are not currently expecting any further monetary policy changes for the rest of the year as we believe that core inflation will only pick up slowly in the medium term. While the ongoing Brexit negotiations pose some degree of uncertainty in our forecasts, we see the general levels of political and economic risk to remain balanced.

Legal & General Investment Management Limited
(Investment Adviser)
14 August 2017

Authorised Status

Authorised Status

This Fund is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

Directors' Statement

We hereby certify that this Manager's Report has been prepared in accordance with the requirements of the FCA Collective Investment Schemes sourcebook.



A. J. C. Craven
(Director)



S. D. Thomas
(Director)

Legal & General (Unit Trust Managers) Limited
13 September 2017

Portfolio Statement

Portfolio Statement as at 24 July 2017

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent holdings at 24 January 2017.

Holding/ Nominal Value	Investment	Market value £	% of Net Assets
	UNITED KINGDOM		
	— 91.70% (93.85%)		
	Oil & Gas Producers		
	— 12.47% (13.22%)		
2,902,072	BP	12,790,882	4.70
607,400	Royal Dutch Shell 'A'	12,524,588	4.61
415,546	Royal Dutch Shell 'B'	8,608,036	3.16
		33,923,506	12.47
	Chemicals — 1.57% (0.84%)		
149,000	Johnson Matthey	4,258,420	1.57
	Mining — 4.55% (3.54%)		
373,100	BHP Billiton	4,809,259	1.77
226,700	Rio Tinto	7,554,777	2.78
		12,364,036	4.55
	Construction & Materials		
	— 1.27% (1.26%)		
742,000	Balfour Beatty	1,966,300	0.72
55,837	CRH	1,497,548	0.55
		3,463,848	1.27
	Aerospace & Defense		
	— 0.59% (0.57%)		
267,700	BAE Systems	1,615,570	0.59
	General Industrials — 0.95% (0.84%)		
539,000	DS Smith	2,576,959	0.95
	Industrial Engineering		
	— 0.00% (0.44%)		
	Automobiles & Parts		
	— 0.97% (0.69%)		
805,000	GKN	2,626,715	0.97
	Beverages — 2.30% (2.78%)		
249,900	Britvic	1,759,296	0.65
200,000	Diageo	4,505,000	1.65
		6,264,296	2.30
	Household Goods & Home Construction — 4.41% (5.00%)		
84,000	Bellway	2,592,240	0.95
67,000	Reckitt Benckiser Group	5,171,060	1.90
2,306,500	Taylor Wimpey	4,239,347	1.56
		12,002,647	4.41
	Personal Goods — 2.31% (2.01%)		
105,000	SuperGroup	1,514,100	0.56
110,200	Unilever	4,768,905	1.75
		6,283,005	2.31

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market value £	% of Net Assets
	Tobacco — 7.08% (9.36%)		
203,400	British American Tobacco	11,130,048	4.09
234,500	Imperial Brands	8,131,288	2.99
		19,261,336	7.08
	Health Care Equipment & Services — 2.02% (1.78%)		
420,300	Smith & Nephew	5,489,118	2.02
	Pharmaceuticals & Biotechnology — 7.41% (7.62%)		
152,500	AstraZeneca	7,719,550	2.84
781,900	GlaxoSmithKline	12,420,481	4.57
		20,140,031	7.41
	General Retailers — 5.96% (6.16%)		
1,908,200	Dixons Carphone	5,052,914	1.86
473,573	Inchcape	3,641,776	1.34
116,000	Next	4,302,440	1.58
1,546,699	Saga	3,200,120	1.18
		16,197,250	5.96
	Media — 2.16% (2.60%)		
3,327,800	ITV	5,863,584	2.16
	Travel & Leisure — 2.62% (2.83%)		
143,000	Compass Group	2,273,700	0.84
125,000	Go-Ahead Group	2,191,250	0.80
400,000	Greene King	2,674,000	0.98
		7,138,950	2.62
	Fixed Line Telecommunications — 3.14% (3.13%)		
2,798,037	BT Group	8,548,003	3.14
	Mobile Telecommunications — 4.02% (3.96%)		
4,910,000	Vodafone Group	10,922,295	4.02
	Gas, Water & Multiutilities — 1.60% (1.75%)		
464,757	National Grid	4,358,026	1.60
	Banks — 10.50% (9.42%)		
2,380,700	HSBC	17,517,191	6.44
16,257,500	Lloyds Banking Group	11,027,462	4.06
		28,544,653	10.50
	Nonlife Insurance — 1.45% (1.22%)		
80,500	Admiral Group	1,608,390	0.59
200,000	Jardine Lloyd Thompson Group	2,346,000	0.86
		3,954,390	1.45
	Life Insurance — 8.53% (7.64%)		
1,324,200	Aviva	6,945,429	2.55
608,600	Prudential	10,817,865	3.98

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market value £	% of Net Assets
	Life Insurance — (cont.)		
456,400	St James's Place	5,426,596	2.00
		23,189,890	8.53
	Real Estate Investment Trusts		
	— 1.64% (1.93%)		
444,847	Great Portland Estates	2,720,239	1.00
171,500	Land Securities Group	1,732,150	0.64
		4,452,389	1.64
	Financial Services — 2.18% (3.26%)		
1,095,000	Jupiter Fund Management	5,923,950	2.18
	CHANNEL ISLANDS — 2.26% (0.55%)		
	Pharmaceuticals & Biotechnology		
	— 0.00% (0.55%)		
	Media — 2.26% (0.00%)		
388,500	WPP	6,146,070	2.26
	DENMARK — 1.91% (0.00%)		
	Pharmaceuticals & Biotechnology		
	— 1.91% (0.00%)		
163,000	Novo Nordisk	5,183,704	1.91
	FRANCE — 0.00% (0.58%)		
	Gas, Water & Multiutilities		
	— 0.00% (0.58%)		
	ISLE OF MAN — 1.31% (1.06%)		
	Travel & Leisure — 1.31% (1.06%)		
372,400	Playtech	3,552,696	1.31
	SWITZERLAND — 0.00% (1.77%)		
	Pharmaceuticals & Biotechnology		
	— 0.00% (1.77%)		
	Portfolio of investments¹	264,245,337	97.18
	Net other assets	7,679,087	2.82
	Total net assets	£271,924,424	100.00%

¹ All investments are admitted to an official stock exchange unless otherwise stated.

Total purchases for the period: £29,174,204.

Total sales for the period: £179,385,007.

Financial Statements

Statement of Total Return for the period ended 24 July 2017

	24/07/17		24/07/16	
	£	£	£	£
Income				
Net capital gains		21,854,710		28,927,218
Revenue	10,010,200		13,746,241	
Expenses	(2,216,937)		(2,537,850)	
Interest payable and similar charges	(14,333)		(27,807)	
Net revenue before taxation	7,778,930		11,180,584	
Taxation	(111,798)		(140,102)	
Net revenue after taxation for the period		7,667,132		11,040,482
Total return before distributions		29,521,842		39,967,700
Distributions		(9,860,185)		(13,562,562)
Change in net assets attributable to Unitholders from investment activities		£19,661,657		£26,405,138

Statement of Change in Net Assets attributable to Unitholders for the period ended 24 July 2017

	24/07/17		24/07/16	
	£	£	£	£
Opening net assets attributable to Unitholders		401,784,193		503,272,597
Amounts received on issue of units	3,080,697		3,707,460	
Amounts paid on cancellation of units	(155,226,700)		(22,955,946)	
		(152,146,003)		(19,248,486)
Change in net assets attributable to Unitholders from investment activities		19,661,657		26,405,138
Retained distributions on accumulation units		2,624,577		6,290,388
Unclaimed distributions		–		103,126
Closing net assets attributable to Unitholders		£271,924,424		£516,822,763

The difference between the opening net assets and the comparative closing net assets is the movement in the second half of the year.

Financial Statements continued

Balance Sheet as at 24 July 2017

	24/07/17 £	24/01/17 £
ASSETS		
Fixed assets:		
Investments	264,245,337	392,978,760
Current assets:		
Debtors	1,585,948	2,521,094
Cash and bank balances	9,718,411	12,795,561
Total assets	275,549,696	408,295,415
LIABILITIES		
Creditors:		
Bank overdrafts	–	(2,517,690)
Distributions payable	(3,088,405)	(2,244,207)
Other creditors	(536,867)	(1,749,325)
Total liabilities	(3,625,272)	(6,511,222)
Net assets attributable to Unitholders	£271,924,424	£401,784,193

Notes to the Financial Statements

1. Statement of Compliance

The Financial Statements have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Association in May 2014 (2014 SORP).

2. Accounting Policies

The accounting policies applied are consistent with the most recent annual Financial Statements.

(a) Basis of Preparation

The Financial Statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

Fund Information

Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class			
Distribution Units	150,796,762	244,604,748	61.65
Accumulation Units	44,231,167	55,393,835	79.85
F-Class			
Distribution Units	36,805	57,962	63.50
Accumulation Units	57,201	69,570	82.22
I-Class			
Distribution Units	4,856,056	7,461,183	65.08
Accumulation Units	4,428,527	5,253,135	84.30
L-Class			
Distribution Units	67,517,906	99,039,920	68.17

Past performance is not a guide to future performance.

The price of units and any income from them may go down as well as up.

Exchange rate changes may cause the value of any overseas investments to rise or fall.

Ongoing Charges Figures

	24 Jul 17	24 Jan 17
R-Class	1.77%	1.76%
F-Class	1.27%	1.26%
I-Class	0.88%	0.87%
L-Class	0.13%	0.12%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a fund and is calculated based on the last period's figures.

Distribution Information

R-Class

The distribution payable on 24 September 2017 is 0.8539p per unit for distribution units and 1.0883p per unit for accumulation units.

F-Class

The distribution payable on 24 September 2017 is 0.8790p per unit for distribution units and 1.1233p per unit for accumulation units.

I-Class

The distribution payable on 24 September 2017 is 0.8995p per unit for distribution units and 1.1516p per unit for accumulation units.

L-Class

The distribution payable on 24 September 2017 is 0.9410p per unit for distribution units.

Risk and Reward Profile



- The risk and reward indicator is based on historical data which may not be a reliable indication of the Fund's risk and reward category in the future.
- The category is based on the rate at which the value of the Fund has moved up and down in the past.
- This Fund is in category five because it invests in company shares which generally provide higher rewards and higher risks than other investments such as bonds, cash or commercial property.
- The Fund's category is not guaranteed to remain the same and may change over time.
- Even a fund in the lowest category is not a risk free investment.

General Information

Constitution

Launch date:	31 March 2011
Period end dates for distributions:	24 January, 24 April, 24 July, 24 October
Distribution dates:	24 March, 24 June, 24 September, 24 December
Minimum initial lump sum investment:	R-Class £500 F-Class* £500 I-Class £1,000,000 L-Class** £100,000
Valuation point:	12 noon
Fund management fees:	R-Class Annual 1.77% F-Class* Annual 1.27% I-Class Annual 0.88% L-Class** Annual 0.13%
Initial charge:	R-Class Nil† F-Class* Nil I-Class Nil L-Class** Nil

* F-Class units are only available to:

- (i) investors who have received advice from authorised intermediaries and platforms in relation to their investment in units in the Fund and
- (ii) authorised intermediaries or distributors who the Manager reasonably considers will adequately bear the costs of marketing to and acquiring investors at no or limited cost to the Manager, and to whom the Manager has confirmed that such distributor or investor meets the criteria for investment in such units.

** L-Class is not available to retail customers and is intended only for investment by Legal & General group companies.

† With effect from 6 June 2017 - See Significant Changes on page 14.

Pricing and Dealing

The prices are published on the internet at www.legalandgeneral.com/investments/fund-information/daily-fund-prices immediately after they become available.

Dealing in units takes place on a forward pricing basis, from 8:30am to 6:00pm, Monday to Friday.

Buying and Selling Units

Units may be bought on any business day from the Manager or through a financial adviser by completing an application form or on the internet at www.legalandgeneral.com. Units may normally be sold back to the Manager on any business day at the bid price calculated at the following valuation point.

General Information continued

ISA Status

This Fund may be held within this tax advantaged savings arrangement. The favourable tax treatment of ISAs may not be maintained. For full written information, please contact your usual financial adviser or ring 0370 050 0955.

Call charges will vary. We may record and monitor calls.

Prospectus and Manager's Reports

The Manager will send to all persons on the Unitholder Register annual and interim short form reports.

Copies of the Prospectus and the most recent annual or interim reports are available free of charge by telephoning 0370 050 0955 or by writing to the Manager.

Do you have difficulty in reading information in print because of a disability? If so, we can help. We are able to produce information for our clients in large print and braille. If you would like to discuss your particular requirements, please contact us on 0370 050 0955.

Dual Pricing Arrangement

The Manager's fixed dual pricing arrangement has a set spread to account for the costs of transacting in a particular Fund. Where the Manager operates a box through which unit subscriptions and unit redemptions are netted into a single trade instruction to the Trustee, the netting reduces the actual transaction costs and this generates a revenue to the Manager. The revenue generated from this activity is calculated on a monthly basis and returned to the Fund in the form of a payment from the Manager. This provides an enhanced return to the Fund, though the size of any return will be dependent on the size of subscriptions and redemptions.

Significant Changes

Removal of the Initial Charge for R-Class

With effect from 6 June 2017, the initial charge for R-Class units has been removed. Prior to this change the initial charge was 5%. The removal of the initial charge will provide better value for investors, as there is no longer a cost of setting up the investment.

Removal of Initial Commission

With effect from 6 June 2017, initial commission will no longer be paid on the Fund. The initial commission was intended to reflect the costs incurred by the product provider and the intermediary for setting up and selling the business, however, Legal & General no longer consider it appropriate to continue to pay commission on such transactions.

General Information continued

Authorised Fund Manager

Legal & General (Unit Trust Managers) Limited
Registered in England and Wales No. 01009418
Registered office:
One Coleman Street,
London EC2R 5AA
Telephone: 0370 050 3350
Authorised and regulated by the Financial Conduct Authority

Directors of the Manager

R. M. Bartley
A. J. C. Craven
S. Hynes
H. Solomon
S. D. Thomas
L. W. Toms
A. R. Toutouchi*
M. J. Zinkula

*Non-executive Director

Secretary

J. McCarthy

Registrar

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Authorised and regulated by the Financial Conduct Authority

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Registration: 0370 050 0955

Call charges will vary. We may record and monitor calls.

Trustee

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Trustee and Depositary Services
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Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

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